

## Briefing note for partners

### The impact of the government's £6.2 billion savings package on Luton

#### Introduction

Last month, the Chancellor of the Exchequer announced public spending reductions of £6.2 billion to take effect in the current financial year.

£1.165 billion of this will come from cuts in individual grants to local authorities.

Details are still emerging – slowly - from Whitehall but, as it stands, the total loss to Luton is £4.7 million, of which:

- £2.744 million is the total revenue cut to Luton Council, announced so far
- £1.169 million is the total capital cut to Luton Council, announced so far
- £793 thousand is the loss of 'performance reward grant', expected by the authority and its partners this year.

In other words, at least £4.7 million of promised government grant funding has suddenly been withdrawn.

This means that spending reductions of over £4.7 million, possibly more, will be required in Luton *this financial year*.

We are expecting more government announcements about further cuts in grant, particularly in children's services.

#### Overview

In summary, the situation as we currently understand it is as follows:

- Just under £2 million will be taken from the Area Based Grant
- The Department for Education's section of this (and therefore LBC's children's services) will be cut by 25 per cent (a total of nearly £1.6m)
- Funding from the Department of Communities and Local Government has also been reduced:
  - the £75k 'cohesion element' has been cut by 23 per cent
  - the £255k allocation for work to prevent extremism has been cut by over 36 per cent
  - the *Supporting People* administration grant has been withdrawn in its entirety.
- The Home Office's Stronger Safer Communities Fund has been cut by nearly 10 per cent.
- Grants to support road safety have been cut by 26.5 per cent (revenue) and 100 per cent (capital)
- Grants to support public transport improvements have been reduced by 25 per cent.
- As mentioned above, the second instalment of the LAA 'reward grant' - set up last year by the government in acknowledgement of the town's achievements in tackling crime and improving the environment, health and education in the town and involving council services, the police, NHS PCT and the voluntary sector working together in partnership – has been withdrawn.

- The Local Authority Business Growth Initiative grant - £211k this year - has been withdrawn.
- The Housing and Planning Delivery Grant has been cut by £100k.
- Grants that supported children's play activities have been cut by 50 per cent.
- The Free Swimming Grant has been withdrawn.

### **LBC financial and budgetary planning**

For this financial year, Luton Council had already achieved efficiency savings of £6 million.

In anticipation of cuts in public expenditure, the authority has also identified a need to reduce its spending by at least £35 million before April 2012.

But the Chancellor's announcement now means that further spending reductions of at least £4.7 million are required in Luton *before April 2011*. This figure could rise as further details are released by the government.

The total aggregate effect is that Luton Council has suddenly had taken from it – with a quarter of the financial year already gone - substantial amount of government grant funding.

This was money we had already planned to spend this year and upon which a wide range of key services, some in partnership with the town's voluntary sector, were relying upon for the next eight months.

### **Impact analysis**

Details are emerging from Whitehall and we are still analysing the figures sent to us thus far. But, from the data we currently hold, it is clear that a substantial proportion of the £4.7 million mentioned above will be taken from budgets that support delivery of services for Luton's children and young people.

Some jobs are expected to be at risk and discussions will be taking place this week with affected staff and trade union representatives.

Our integrated transport capital allocation has been cut by 25 per cent (£518,000) and £108,000 of specific road safety capital allocation has been withdrawn. This means that our programme of traffic calming measures and pedestrian facilities, for example, will have to be cut back substantially.

The Luton and Bedfordshire Casualty Reduction Partnership has had its funding reduced by £129,000. The other Bedfordshire local authorities have also been affected by the cuts and Central Bedfordshire Council are looking to reduce their contribution substantially. Bedford Borough is still deciding what action it needs to take.

### **LBC response**

Our overriding priority is to protect frontline services and, as outlined above, we have taken, and will continue to take, robust action to reduce our overheads and back-office costs.

But the scale of the reductions required by the Chancellor, and the speed at which they must be made, inevitably places additional risk on the services we provide or commission from others.

In some cases, reductions in services would have been made in April 2011 as we knew that grant funding for some projects would end by this date. However, the latest developments mean that service cutbacks now have to take place earlier.

In planning for the future, and in anticipating further substantial cuts to public service spending, we are keen to plan carefully and work hard to adapt in order to minimise the negative impact upon essential services.

This will involve continuing efforts to cut costs, avoid waste and duplication, maximise income and consider and develop new ways of delivering good services at the lowest possible cost.

### **Advice for service partners**

Formal protests to Whitehall are unlikely to change the situation we now face.

More specific announcements could be made by central government next week, but, in the meantime, Luton Council needs to delay any decisions on grant-related expenditure that is not already clearly protected.

We are contacting directly those partner agencies we know will be affected by these sudden budget reductions and will be advising them accordingly. Our advice will simply be that, with immediate effect, no further expenditure can be committed to the projects concerned.

For all other partners, our advice is that tough financial restraints are likely to get much tougher in the very near future. Everyone needs to think extremely carefully about future planning and spending on grants monies routed through the town hall. Prospects for the next five years look even more bleak. Expenditure by the Department for Communities and Local Government is likely to be cut by over 25 per cent in real terms over that time. In cash terms, this could mean an average reduction of around five per cent a year in formula grant. If applied to Luton, this would have a significant, adverse impact.

We are urging all partners to arrange to meet their grant and service commissioning contacts at Luton Council to get a full briefing and advice on the likely future impact of government funding decisions on their specific services.

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